1

Allegheny Health, Education and Research Foundation

Consolidated

Financial

Statements

for the

year ended

June 30, 1996

2

Coopers &Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Report of Independent Accountants

To the Board of Trustees of
Allegheny Health, Education and Research Foundation:

We have audited the accompanying consolidated balance sheet of Allegheny Health, Education and Research Foundation as of June 30, 1996 and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Allegheny Health, Education and Research Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allegheny Health, Education and Research Foundation as of June 30, 1996 and the consolidated results of its operations, changes in net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Allegheny Health, Education and Research Foundation changed its method of accounting for contributions by adopting Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made" and its method of reporting by adopting SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," as well as its method of accounting for investments by adopting SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
September 11, 1996

Coopers & Lybrand L.L.P. is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATED BALANCE SHEET
June 30, 1996
(Dollars in Thousands)

ASSETS

Current assets:	
Cash and cash equivalents	$ 1,539
Short-term investments	11,230
Assets limited or restricted as to use	48,814
Receivables:	
Patient accounts, less allowance for uncollectible accounts of $63,830	320,059
Grants and other	44,907
Inventories	22,828
Prepaid expenses	15,535
Total current assets	464,912
Assets limited or restricted as to use, net of current portion	562,804
Property and equipment, net	741,430
Other assets	100,308
Total assets	$ 1,869,454

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	$ 239,187
Deferred revenue	10,186
Lines of credit	40,300
Current portion of long-term debt	8,809
Total current liabilities	298,482
Long-term debt, net of current portion	663,971
Self-insurance liabilities	78,001
Other noncurrent liabilities	58,218
Total liabilities	1,098,672
Net assets:	
Unrestricted	559,236
Restricted:	
Temporarily	108,954
Permanently	102,592
Total net assets	770,782
Total liabilities and net assets	$ 1,869,454

The accompanying notes are an integral part of the consolidated financial statements.

4

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended June 30, 1996
(Dollars in Thousands)

Unrestricted revenues, gains and other support:	
Net patient service revenue	$ 1,352,474
Research and training support	57,079
Academic activities	62,916
Investment income	74,075
Net assets released from restrictions used for operations	18,916
Other revenue	41,747
Total revenues, gains and other support	1,607,207
Expenses:	
Salaries, wages and fringe benefits	959,854
Materials, supplies and services	498,941
Depreciation and amortization	95,371
Interest	40,957
Unusual items	5,537
Total expenses	1,600,660
Net income, before extraordinary item and change in accounting principles	6,547
Extraordinary loss on early extinguishment of debt	(32,534)
Income from change in accounting principles	14,150
Net loss	(11,837)
Net assets released from restrictions used for acquisition of property and equipment	2,806
Transfers from other net assets	971
Other	53
Decrease in unrestricted net assets	$ (8,007)

The accompanying notes are an integral part of the consolidated financial statements.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 1996
(Dollars in Thousands)

Unrestricted net assets:	
Net loss	$ (11,837)
Net assets released from restrictions used for acquisition of property and equipment	2,806
Transfers from other net assets	971
Other	53
Decrease in unrestricted net assets	(8,007)
Temporarily restricted net assets:	
Adjustment from change in accounting principles	17,974
Contributions	6,951
Investment income	8,359
Net assets released from restrictions	(29,259)
Unrealized appreciation of investments	4,209
Transfers to other net assets	(550)
Increase in temporarily restricted net assets	7,684
Permanently restricted net assets:	
Adjustment from change in accounting principles	47,916
Contributions	10,123
Investment income	284
Unrealized appreciation of investments	527
Transfers to other net assets	(421)
Increase in permanently restricted net assets	58,429
Increase in net assets	58,106
Net assets, beginning of year	712,676
Net assets, end of year	$ 770,782

The accompanying notes are an integral part of the consolidated financial statements.

6

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 1996
(Dollars in Thousands)

Cash flows from operating activities:	
Change in net assets	$ 58,106
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Adjustment from change in accounting principles	(80,040)
Depreciation and amortization	95,371
Unrealized appreciation of investments	(17,267)
Gain on sale of property and equipment	(7,439)
Net realized gains on equity investments	(4,328)
Extraordinary loss on early extinguishment of debt	32,534
Increase/(decrease) in cash and cash equivalents from changes in:	
Short-term investments	(1,167)
Receivables	(78,340)
Inventories	(1,534)
Prepaid expenses	(2,647)
Accounts payable and accrued expenses	79,747
Deferred revenue	(149)
Self-insurance liabilities	1,199
Other	(38,098)
Net cash provided by operating activities	35,948
Cash flows from investing activities:	
Acquisition of property and equipment, net	(143,099)
Acquisition of physician practice assets, net	(4,829)
Acquisition of physician practice intangible assets	(16,385)
Proceeds of sale of property and equipment	27,400
Decrease in assets limited as to use, net	56,617
Net cash used by investing activities	(80,296)
Cash flows from financing activities:	
Issuance of long-term debt	404,834
Early extinguishment of long-term debt	(369,636)
Net drawdown on lines of credit	34,300
Repayments of long-term debt	(17,205)
Payment of debt issuance costs	(9,664)
Net cash provided by financing activities	42,629
Net decrease in cash and cash equivalents	(1,719)
Cash and cash equivalents, beginning of year	3,258
Cash and cash equivalents, end of year	$ 1,539
Supplemental disclosure:	
Cash paid for interest	$ 51,098

The accompanying notes are an integral part of the consolidated financial statements.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

1. **Organization:**

Allegheny Health, Education and Research Foundation (AHERF), is the parent company of Allegheny General Hospital (AGH), Allegheny University of the Health Sciences (Allegheny University), Allegheny University Hospitals, St. Christopher's Hospital for Children (St. Christopher's), Diversified Health Group, Inc. (DHG), Allegheny Integrated Health Group (AIHG) and Allegheny Health Services Providers Insurance Company (AHSPIC). AGH, Allegheny University, Allegheny University Hospitals, St. Christopher's, and AIHG are Pennsylvania nonprofit charitable organizations. DHG, incorporated as a for-profit corporation, is wholly owned by AHERF. AHSPIC is a captive insurance company incorporated in the Cayman Islands which is also wholly owned by AHERF. AHERF's commitment to patient care, education, and research is demonstrated by its operation (through its nonprofit subsidiaries) of five acute care hospital facilities, one psychiatric hospital, a pediatric hospital, a medical school, undergraduate and graduate schools of health sciences and humanities, and a research institute.

2. **Accounting Policies:**

The significant accounting policies applied in preparing the accompanying consolidated financial statements are summarized below:

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of AHERF, AGH, Allegheny University, Allegheny University Hospitals, St. Christopher's, DHG, AIHG and AHSPIC. All intercompany transactions have been eliminated in consolidation.

Accounting Changes:

In fiscal year 1996, AHERF adopted Financial Accounting Standards Board Statements (FAS), No. 116, "Accounting for Contributions Received and Contributions Made," No. 117, "Financial Statements of Not-for-Profit Organizations" and No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." FAS 116 requires that unconditional promises by donors to pledge monies to AHERF be recorded as receivables and revenues within the appropriate net asset category. FAS 116 also requires that any perpetual trusts held and administered by third parties, of which the not-for-profit organization is

JB 01611

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

the beneficiary, be recorded as a contribution to permanently restricted assets measured by the fair value of the assets contributed. As permitted by FAS 116 the cumulative effect of adopting this statement for periods prior to July 1, 1995 is $2,549 and $47,590 for temporarily and permanently restricted funds, respectively, and are reflected as an adjustment from change in accounting principles on the consolidated statement of changes in net assets. FAS 117 establishes uniform standards for general-purpose external financial statements of not-for-profit organizations. FAS 117 further requires the classification of net assets into three categories, based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Such net assets may be designated by the Boards of Trustees for specific purposes or limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by specific actions pursuant to such stipulations or expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by action. Such net assets, which must be maintained in perpetuity, generally include only the original amount of the contribution since the donors of these assets most often permit the use of all investment earnings for specific or general purposes.

FAS 124 requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in the consolidated statement of operations. As permitted by FAS 124, the cumulative effect of adopting this statement for periods prior to July 1, 1995 is $14,150 for unrestricted investments, which is reflected as an adjustment from change in accounting principle on the consolidated statement of operations, and $15,425 and $326 for investments temporarily and permanently restricted, respectively, and which are reflected on the consolidated statement of changes in net assets.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts reported as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

Cash and cash equivalents include highly liquid investments purchased with a maturity date of three months or less.

Investments and Investment Income:

A majority of AHERF's short-term investments and those investments temporarily restricted by donors for specific purposes are managed pursuant to a master trust arrangement (Master Trust). Investments in the Master Trust consist primarily of government and corporate obligations and repurchase agreements collateralized by U.S. Treasury notes and bonds that have fixed rates of return. Short-term investments and those of the Master Trust are stated at fair values.

AHERF's investments are carried at fair value and consist generally of investments similar to those in the Master Trust and marketable equity securities of domestic companies.

Donated investments are recorded at estimated fair value at the date of contribution. Unrestricted investment income and gains and losses on sales of investments, which are based on average cost, are included in investment income.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Grants Receivable and Deferred Revenue:

Grants and contracts are recognized in the year in which expenditures are made, either as research support or, in the case of expenditures for property and equipment, as additions to net assets. Receivables are recorded when contract and grant expenditures exceed funds received. Deferrals are recorded when funds received are in excess of expenditures incurred. Additionally, notices of federal and other research grant awards relating to future years have not been recorded.

Inventories:

Inventories are valued at the lower of average cost or fair value.

Property and Equipment:

Property and equipment, along with expenditures that extend the useful lives of assets, are recorded at cost. Certain internal computer software development costs are capitalized and included in property and equipment. Interest is capitalized in accordance with the construction of major capital additions. Maintenance and repairs are charged to expense as incurred. At the time assets are retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated and any resulting gain or loss on disposition is recorded as other revenue.

Depreciation is provided over the estimated useful lives of the assets computed under the straight-line method with one-half year of depreciation recognized in the year when the related assets are placed into service.

Other Assets:

Other assets consist primarily of bond financing costs, equity investments and investments in other joint ventures, organizational costs, program development costs, goodwill, covenants not to compete, and cash surrender values on life insurance policies. Bond financing costs are being amortized over the respective terms of the related bond issues on a basis that approximates the interest method. Deferred organizational costs are being amortized over five years, program development costs over three years, goodwill over fifteen years, and covenants not to compete over five to fifteen years. AHERF also has a 50% ownership interest in East Net, Inc., which owns and operates physician practices. AHERF's share

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

of loss from its East Net investment for fiscal year 1996 was $605. AHERF has a 33% ownership interest in Gateway Health Plan, L.P. (Gateway). AHERF's share of income from it's Gateway investment for fiscal year 1996 was $5,073.

Restricted Net Assets:

Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose or a specific time period. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted assets released from restriction during the period are reflected in the consolidated statement of operations.

Net Patient Service Revenue:

AHERF has agreements with third-party payors that provide for payments to AHERF facilities at amounts different from its established rates. Payment arrangements include prospectively determined rates based upon discharges, discounted charges, per diem payments and capitation arrangements. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated net retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care, Uncompensated Care and Other Community Services:

AHERF's hospitals maintain charity care policies which were established to assure that all persons seeking treatment receive needed health care services regardless of their ability to pay. These policies provide that persons who lack the means to pay for all or a portion of their needed health care services receive financial assistance in the form of partial or total charge reductions. Because the hospitals do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under AHERF's charity care policy approximated $13,571 in fiscal year 1996.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Additionally, AHERF's hospitals provide services to patients covered by Medical Assistance and Medicare, whereby the payments received are less than the costs of providing such services. Also, AHERF's hospitals perform services at no charge which benefit the community, such as public health screenings, health care publications, workplace wellness programs, health related research, educational programs and other activities.

Income Taxes:
AHERF, the parent company, is a not-for-profit corporation that has been recognized as tax exempt pursuant to Section 501 (c)(3) of the Internal Revenue Code.

3. Assets Limited or Restricted as to Use:

Assets limited or restricted as to use consist of the following components at June 30, 1996:

Unrestricted:	
By Boards of Trustees:	
Future additions or replacement of property and equipment	$ 156,904
Self-insurance reserve funds	68,171
Endowments	99,662
Other	8,925
	333,662
By Financing Agreements:	
Debt service funds	7,451
Construction fund	12,332
	19,783
Endowments	41,261
	394,706
Temporarily restricted:	
By donor	66,961
Student loans	19,230
Endowments	33,109
	119,300
Permanently restricted:	
Endowments	47,409
Perpetual trusts	50,203
	97,612
Total assets limited or restricted as to use	611,618
Less current portion	48,814
Assets limited or restricted as to use, net of current portion	$ 562,804

JB 01616

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

3. Assets Limited or Restricted as to Use: (continued)

The following table sets forth the composition of assets limited or restricted as to use by investment type at June 30, 1996:

Unrestricted:	
Cash and short-term investments	$ 105,311
Government and corporate obligations	168,203
Marketable equity securities	121,192
	394,706
Temporarily Restricted:	
Cash and short-term investments	24,474
Government and corporate obligations	43,069
Marketable equity securities	51,757
	119,300
Permanently Restricted:	
Cash and short-term investments	4,060
Government and corporate obligations	42,983
Marketable equity securities	50,569
	97,612
Assets limited or restricted as to use	$ 611,618

The various Boards of Trustees retain control over certain designated assets and may, at their discretion, subsequently use such assets for other purposes. Assets limited or restricted as to use, including $5,151 of temporarily restricted funds that are required to satisfy obligations classified as current liabilities, are reported as current assets on the consolidated balance sheet.

Investment returns consisted of the following for the year ended June 30, 1996:

Net gains on investments	$ 41,186
Dividends and interest	22,639
	$ 63,825

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

4. **Property and Equipment:**

Property and equipment consists of the following components at June 30, 1996:

Buildings and building improvements	$ 662,273
Equipment	658,641
Land and land improvements	34,430
	1,355,344
Less accumulated depreciation and amortization	689,948
	665,396
Construction in progress	76,034
Property and equipment, net	$ 741,430

5. **Lines of Credit:**

AHERF maintains $83,000 of working capital lines of credit from several banks with various maturity dates through November 1997 and interest at variable rates ranging from 6.3% to 9.0% during fiscal year 1996 and at 6.4% to 6.8% on June 30, 1996 and with commitment fees up to .08% on the unused portion of the available lines. Amounts outstanding under these lines of credit were $40,300 as of June 30, 1996.

6. **Long-Term Debt:**

Long-term debt consists of the following obligations at June 30, 1996:

Pennsylvania Higher Educational Facilities Authority (PHEFA):	
Revenue Bonds:	
Series 1996 A-C, net of unamortized discount of $3,606 (with maturity dates through November 15, 2021 and fixed rates ranging from 4.0% to 5.9%)	$ 302,544
Series 1996 Variable Rate Bonds (with maturity dates through November 15, 2035 and a variable rate of 5.43% on June 30, 1996)	50,000
Series 1991 A Revenue Bonds, net of unamortized discount of $677 (with maturity dates through September 1, 2017 and fixed interest rates ranging from 5.9% to 7.25%)	55,272
	407,816
Allegheny County Hospital Development Authority (ACHDA):	
Series 1995 A and B Hospital Revenue Bonds:	
A net of unamortized discount of $450 (with maturity dates through September 1, 2020 and fixed interest rates ranging from 4.65% to 6.35%)	49,550

JB 01618

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

6. **Long-Term Debt:** (continued)

B (with maturity dates through September 1, 2020 and variable interest rates ranging from 2.8% to 5.0% during fiscal year 1996 and at 3.25% on June 30, 1996)	50,000
	99,550
Series 1993 A-C Notes:	
A (with maturity dates through July 1, 2012 and variable interest rates ranging from 5.57% to 6.35% during fiscal year 1996 and at 5.76% on June 30, 1996)	27,500
B (with maturity dates through January 1, 2012 and a fixed interest rate of 7.85%)	13,825
C (with maturity dates through January 1, 2004 and a fixed interest rate of 7.33%)	12,797
	54,122
Series 1988 A-D Hospital Revenue Bonds (with maturity dates through March 1, 2018 and variable interest rates ranging from 2.75% to 5.0% during fiscal year 1996 and at 3.3% on June 30, 1996)	48,100
Notes payable (with maturity dates through November 15, 2015 and a variable rate of 3.45% on June 30, 1996	52,290
Term loan (with a maturity date of June 16, 1999 and variable rates ranging from 5.84% to 6.84% during fiscal year 1996 and at 5.84% on June 30, 1996)	7,500
Other obligations	3,402
	672,780
Less current portion of long-term debt	8,809
Long-term debt	$ 663,971

In June 1996, $306,150 of PHEFA Health Services Revenue Bonds Series A-C, $50,000 of PHEFA Variable Rate Bonds and $52,290 of notes payable were issued to refinance certain obligations of AHERF and to reimburse certain AHERF construction, renovation and equipment purchases. A portion of the proceeds, along with certain funds held under prior bond indentures, were deposited into irrevocable escrow accounts invested in federal government obligations scheduled to mature and pay interest in amounts sufficient to meet all debt service requirements for the refunded obligations. The escrow funds along with

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

6. **Long-Term Debt:** (continued)

refunded obligations are not included on AHERF's consolidated balance sheet. The outstanding principal balance of the refunded obligations was $342,283 at June 30, 1996.

As a result of the fiscal year 1996 advance refunding, an extraordinary loss of $32,534 was recognized, which represents the difference between the reacquisition cost and the carrying amount of the refunded bonds, adjusted for accrued interest and deferred financing costs.

Redemption of all ACHDA obligations is supported by renewable irrevocable bank letters of credit. All obligations are subject to early redemption at the option of AHERF. Additionally, AHERF is subject to various debt covenants contained in the Master Trust Indentures and Loan and Security Agreements which govern the preceding obligations. The most restrictive of these covenants require certain AHERF obligated groups to maintain debt service coverage ratios, liquidity ratios and levels of net assets. Additionally, certain of these bonds are collateralized by the pledge of certain of the respective obligated group's gross revenue, real property, personal property and unrestricted receivables.

Following are scheduled principal repayments and sinking fund requirements on the long-term debt for each of the next five fiscal years:

1997	-	$ 8,809
1998	-	19,334
1999	-	26,272
2000	-	19,712
2001	-	20,959

7. **Commitments:**

In October 1991, AHERF entered into an agreement to manage the Sidney Hillman Medical Center (SHMC) for a 20 year period. SHMC provides primary and speciality care physician services primarily to members of the garment workers union. Under the terms of the agreement, AHERF subsidizes certain operating losses of SHMC. During fiscal year 1996, such subsidies amounted to $791.

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

7. **Commitments:** (continued)

Effective July 1, 1989, AHERF entered into an operating lease agreement with the Commonwealth of Pennsylvania whereby all land and buildings associated with the Eastern Pennsylvania Psychiatric Institute are leased for a term of 25 years at annual rental payments of one dollar. The agreement also specifies provisions for a renewal option for additional terms.

Certain office space adjacent to an AHERF facility is subleased to a medical university, which has a teaching affiliation with that AHERF facility, for use as professional office space for the medical faculty and students of that university. The sublease currently provides annual gross rental income of approximately $1,700 and expires in March of 2000.

AHERF leases certain medical and office equipment and office space used in its operations. Rental expense for operating leases for the year ended June 30, 1996 was $37,106. The annual and total future minimum lease payments under noncancelable operating leases entered into as of June 30, 1996 are as follows:

Year	
1997	$ 30,684
1998	28,132
1999	26,607
2000	23,832
2001	17,755
2002 and thereafter	120,530
Total minimum payments	$ 247,540

8. **Net Patient Service Revenue:**

Net patient service revenue consists of the following components for the year ended June 30, 1996:

Gross patient service revenue	$ 3,219,886
Less provisions for contractual adjustments	1,867,412
Net patient service revenue	$ 1,352,474

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

8. **Net Patient Service Revenue:** (continued)

Contractual adjustments represent the difference between standard billing rates and amounts estimated to be paid under various health benefit agreements. Provisions for contractual adjustments are recorded in the period in which the services are provided.

During fiscal year 1996, AHERF's bad debt expense amounted to $67,534, which is included in materials, supplies and services expense on the consolidated statement of operations.

9. **Insurance:**

AHERF is self-insured for primary coverage and for certain levels of excess coverage related to professional and general liability claims through AHSPIC, Hahnemann Insurance Company (HAHN - an affiliated captive insurance company incorporated in Vermont) and various self-insurance trusts. In addition, AHERF participates in the Medical Professional Liability Catastrophic Loss Fund of the Commonwealth of Pennsylvania (CAT Fund) and maintains insurance under commercially insured programs on a claims-made basis for amounts in excess of the self-insurance and CAT Fund coverages. Premiums for the self-insurance coverage are retrospectively rated and are paid to AHSPIC and HAHN based on funding requirements determined by independent insurance actuaries to include provisions for estimates for the ultimate costs for both reported claims and claims incurred but not reported, determined on a discounted basis using a 7.5% rate. During fiscal year 1996, AHERF's total professional and general liability insurance expense was $21,865.

AHERF is also self-insured for workers' compensation liability claims and has established trust funds for the payment of such claims. Funding requirements and estimates of losses incurred are determined on a discounted basis using actuarial assumptions which include a 6.0% discount rate and which are subject to revision based upon actual experience. During fiscal year 1996, total workers' compensation expense was $11,375.

10. **Pension Plans:**

AHERF maintains various pension plans covering substantially all of its employees. Union employees are covered by multi-employer pension plans to which AHERF contributes based on individual plan policies and actuarial valuations. Expenses in fiscal year 1996 pertaining to the multi-employer pension plans amounted to $3,577. A

(Dollars in Thousands)

10. **Pension Plans:** (continued)

noncontributory, defined benefit pension plan covers substantially all other full-time employees. Under this cash balance plan (the Plan), pension accruals are determined using a defined percentage of an employee's current compensation based on the employee's age and years of service. Each employee's individual retirement benefit is defined within the Plan's obligations as a notational cash balance retirement account and is credited with interest based on a defined interest rate. AHERF's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plan with assets sufficient to meet benefits to be paid to retirees or their beneficiaries and to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Net pension cost related to the defined benefit plan includes the following components for the year ended June 30, 1996:

Service cost benefits earned during the period	$ 19,463
Interest cost on projected benefit obligation	10,985
Actual return on assets	(23,946)
Net amortization and deferral	10,480
Cost recognized for voluntary retirement benefits	1,508
Net pension cost	$ 18,490

The following table sets forth the consolidated funded status of the defined benefit plan at June 30, 1996:

Actuarial present value of benefit obligation:	
Vested benefit obligation	$ (148,787)
Non-vested benefit obligation	(6,377)
Accumulated benefit obligation	(155,164)
Effect of projected future compensation levels	(530)
Projected benefit obligation	(155,694)
Plan assets at fair value (primarily listed equity securities, convertible securities and bonds)	134,278
Funded status - projected benefit obligation in excess of plan assets	(21,416)
Unrecognized prior service credit due to plan amendments	(9,894)

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

10. **Pension Plans:** (continued)

Unrecognized net gain from past experience different from that assumed	(8,599)
Unrecognized net asset arising at transition	(8,414)
Funding contributions	2,550
Accrued pension costs	$ (45,773)

Significant assumptions used to determine the projected benefit obligation and plan assets for the year ended June 30, 1996 include:

Discount rate	8.75%
Rate of increase in compensation levels	5.00%
Expected long-term rate of return on assets	9.50%

AHERF sponsors a contributory, defined contribution savings plan which is available to substantially all AHERF employees in order to provide additional security during retirement by creating an incentive for employees to make regular contributions on their own behalf. Under this plan, and as determined on an individual employee basis, AHERF contributes an amount equal to 25% of an employee's contribution for employee contributions up to 4% of such employee's salary in a given year. AHERF's expense associated with contributions to this savings plan was $3,287 for the year ended June 30, 1996.

11. **Functional Expenses:**

AHERF provides general health care services through its hospitals, and education services through its universities, and performs medical research through its research institute. Expenses related to these services are as follows for the year ended June 30, 1996:

Health care services	$ 1,281,724
Education services	73,067
Medical research	70,177
General and administrative	175,692
	$ 1,600,660

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

12. **Concentrations of Credit Risk:**

AHERF grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at June 30, 1996:

Medicare	20%
Medicaid	22
Blue Cross	13
Managed Care	23
Other third-party payors	14
Patients	8
	100%

13. **Fair Value of Financial Instruments:**

The following methods and assumptions were used by AHERF in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying value reported in the consolidated balance sheet for cash and cash equivalents approximates its fair value.

Short-term investments: The carrying value reported in the consolidated balance sheet for short-term investments approximates its fair value.

Assets limited or restricted as to use: These assets consist primarily of government and corporate obligations, marketable equity securities, cash and short-term investments and the Master Trust. For government and corporate obligations and marketable equity securities, fair values were determined based on quoted market prices and dealer quotes where available, or quoted market prices pertaining to similar securities where not available. The carrying value for cash and short-term investments and for investments included in the Master Trust approximates fair value. The carrying value reported in the consolidated balance sheet for all assets limited or restricted as to use approximates their fair value.

Student Loans receivable: Determination of the fair value of student loans fund receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

13. <u>Fair Value of Financial Instruments:</u> (continued)

Long-term debt: The fair value of all obligations included in long-term debt is based on current traded values. The carrying and fair values of AHERF's long-term debt obligations are $672,780 and $675,141, respectively, at June 30, 1996.

14. <u>Legal Matters:</u>

AHERF is subject to legal proceedings and claims which have arisen in the ordinary course of its business and have not yet been adjudicated. The ultimate liability from these actions cannot be determined because of the uncertainties that exist. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the consolidated financial position of AHERF. However, it is possible that, upon settlement, results of operations in a particular period could be materially affected.

15. <u>Unusual Items:</u>

AHERF recognized expenses principally associated with the consolidation of certain system-wide administrative functions and reductions in workforce in fiscal year 1996. These expenses, which were $5,537, are classified as unusual items on the consolidated statement of operations.

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Report of Independent Accountants on Consolidating Financial Information

Our report on the audit of the consolidated financial statements of Allegheny Health, Education and Research Foundation as of June 30, 1996, and for the year then ended appears on page 1. This audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating financial information accompanying the consolidated financial statements is not necessary for fair presentation of the consolidated financial position, results of operations and changes in net assets of Allegheny Health, Education and Research Foundation in conformity with generally accepted accounting principles. The supplementary consolidating financial information is presented only for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary consolidating financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
September 11, 1996

Coopers & Lybrand L.L.P. is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland.

24

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATING BALANCE SHEET
as of June 30, 1996
(Dollars in Thousands)

ASSETS

	AGH	Allegheny University	Allegheny University Hospitals	St. Christopher's	AIHG	AHERF OPS	Elim	Consolidated AHERF
Current assets:								
Cash and cash equivalents	$ 2,447	$ 748	$ 11,591	$ 14,943	$ 93	$ (28,283)	$ -	$ 1,539
Short-term investments	11,394	-	-	-	387	(551)	-	11,230
Assets limited or restricted as to use	3,957	12,203	9,893	1,943	-	20,818	-	48,814
Receivables:								
Patient accounts, net	50,036	33,965	175,284	43,319	17,455	-	-	320,059
Grants and other	5,077	23,563	4,703	9,953	381	1,916	(686)	44,907
Due from affiliates	-	-	-	-	-	36,100	(36,100)	-
Inventories	10,045	-	10,910	1,839	34	-	-	22,828
Prepaid expenses	839	259	2,706	415	358	10,286	672	15,535
Total current assets	83,795	70,738	215,087	72,412	18,708	40,286	(36,114)	464,912
Assets limited or restricted as to use, net of current portion	181,691	100,410	33,690	23,672	-	223,601	(260)	562,804
Property and equipment, net	248,747	63,831	291,990	64,124	15,642	57,510	(414)	741,430
Due from affiliates	26,369	-	19,025	120	-	79,943	(125,457)	-
Other assets	25,760	3,843	16,278	3,032	22,400	28,994	1	100,308
Total assets	$ 566,362	$ 238,822	$ 576,070	$ 163,360	$ 56,750	$ 430,334	$ (162,244)	$ 1,869,454

LIABILITIES AND NET ASSETS

	AGH	Allegheny University	Allegheny University Hospitals	St. Christopher's	AIHG	AHERF OPS	Elim	Consolidated AHERF
Current liabilities:								
Accounts payable and accrued expenses	$ 54,044	$ 24,226	$ 69,476	$ 24,906	$ 5,774	$ 60,795	$ (34)	$ 239,187
Deferred revenue	3,717	11,536	1,190	597	-	-	(6,854)	10,186
Lines of credit	-	6,000	34,300	-	-	-	-	40,300
Due to affiliates	-	-	16,921	4,468	-	1,216	(22,605)	-
Current portion of long-term debt	7,023	-	690	-	1,096	-	-	8,809
Total current liabilities	64,784	41,762	122,577	29,971	6,870	62,011	(29,493)	298,482
Long-term debt, net of current portion	257,521	36,045	323,005	47,400	-	-	-	663,971
Self-insurance liabilities	-	4,900	4,530	-	-	68,571	-	78,001
Due to affiliates	-	40,273	39,669	-	12,806	45,514	(138,262)	-
Other noncurrent liabilities	1,858	19,524	169	206	-	37,535	(1,074)	58,218
Total liabilities	324,163	142,504	489,950	77,577	19,676	213,631	(168,829)	1,098,672
Net assets:								
Unrestricted	227,876	15,516	61,693	73,716	37,074	120,119	23,242	559,236
Restricted:								
Temporarily	6,773	33,535	7,566	8,952	-	52,788	(660)	108,954
Permanently	7,550	47,267	16,861	3,115	-	43,796	(15,997)	102,592
Total net assets	242,199	96,318	86,120	85,783	37,074	216,703	6,585	770,782
Total liabilities and net assets	$ 566,362	$ 238,822	$ 576,070	$ 163,360	$ 56,750	$ 430,334	$ (162,244)	$ 1,869,454

JB 01628

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION

CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended June 30, 1996
(Dollars in Thousands)

	AGH	Allegheny University	Allegheny University Hospitals	St. Christopher's	AIHG	AHERF OPS	Elim	Consolidated AHERF
Unrestricted revenues, gains and other support:								
Net patient service	$394,561	$ 131,453	$618,214	$ 134,149	$ 74,097	-	$ -	1,352,474
Research and training support	8,789	43,347	5,868	2,231	-	-	(3,156)	57,079
Academic activities	-	61,970	154	792	-	-	-	62,916
Investment income/(loss)	23,291	3,437	10,952	3,199	(368)	33,564	-	74,075
Net assets released from restrictions used for operations	8,518	4,837	600	4,961	-	-	-	18,916
Other revenue	23,981	70,754	18,920	7,355	2,375	21,276	(102,914)	41,747
Total revenues, gains and other support	459,140	315,798	654,708	152,687	76,104	54,840	(106,070)	1,607,207
Expenses:								
Salaries, wages and fringe benefits	204,513	204,456	325,966	67,223	84,861	72,840	(5)	959,854
Materials, supplies and services	201,662	104,787	255,784	60,774	27,394	(45,559)	(105,901)	498,941
Depreciation and amortization	33,284	6,950	36,974	6,415	4,615	7,133	-	95,371
Interest	13,927	2,543	20,833	3,608	109	-	(63)	40,957
Unusual items	3,149	-	-	-	-	2,388	-	5,537
Total expenses	456,535	318,736	639,557	138,020	116,979	36,802	(105,969)	1,600,660
Net income/(loss), before extraordinary item and change in accounting principles	2,605	(2,938)	15,151	14,667	(40,875)	18,038	(101)	6,547
Extraordinary loss on early extinguishment of debt	-	(2,908)	(25,282)	(4,344)	-	-	-	(32,534)
Income from change in accounting principles	3,716	1,144	2,454	765	-	6,071	-	14,150
Net income/(loss)	6,321	(4,702)	(7,677)	11,088	(40,875)	24,109	(101)	(11,837)
Net assets released from restrictions used for acquisition of property and equipment	1,091	1,481	99	135	-	-	-	2,806
Transfers (to)/from other net assets	-	(401)	78	1,294	-	-	-	971
Transfers (to)/from affiliates, net	(14,158)	(6,283)	(56,651)	(10,742)	66,786	17,778	3,270	-
Other	562	-	-	-	-	(400)	(109)	53
Increase/(decrease) in unrestricted net assets	$ (6,184)	$ (9,905)	$ (64,151)	$ 1,775	$ 25,911	$ 41,487	$ 3,060	$ (8,007)

JB 01629

B

Consolidated

Financial

Statements

for the

year ended

June 30, 1996

27

Coopers
&Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Report of Independent Accountants

To the Board of Trustees of
Allegheny General Hospital:

We have audited the accompanying consolidated balance sheet of Allegheny General Hospital as of June 30, 1996 and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Allegheny General Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allegheny General Hospital as of June 30, 1996 and the consolidated results of its operations, changes in net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, Allegheny General Hospital changed its method of accounting for contributions by adopting Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made" and its method of reporting by adopting SFAS No. 117, "Financial Statements of Not-for-Profit Organizations," as well as its method of accounting for investments by adopting SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
September 11, 1996

JB 01632

Coopers & Lybrand L.L.P. is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland.

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATED BALANCE SHEET
June 30, 1996
(Dollars in Thousands)

ASSETS

Current assets:		
Cash and cash equivalents	$	2,447
Short-term investments		11,394
Assets limited as to use		3,957
Receivables:		
Patient accounts, less allowance for uncollectible accounts of $12,576		50,036
Grants and other		5,077
Inventories		10,045
Prepaid expenses		839
Total current assets		83,795
Assets limited or restricted as to use, net of current portion		181,691
Property and equipment, net		248,747
Due from affiliates		26,369
Other assets		25,760
Total assets	$	566,362

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	54,044
Deferred grant revenue		3,717
Current portion of long-term debt		7,023
Total current liabilities		64,784
Long-term debt, net of current portion		257,521
Deferred grant revenue		1,074
Other noncurrent liabilities		784
Total liabilities		324,163
Net assets:		
Unrestricted		227,876
Restricted:		
Temporarily		6,773
Permanently		7,550
Total net assets		242,199
Total liabilities and net assets	$	566,362

The accompanying notes are an integral part of the consolidated financial statements.

JB 01633

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATED STATEMENT OF OPERATIONS
For the year ended June 30, 1996
(Dollars in Thousands)

Unrestricted revenues, gains and other support:	
Net patient service revenue	$ 394,561
Research support	8,789
Investment income	23,291
Net assets released from restrictions used for operations	8,518
Other revenue	23,981
Total revenues, gains and other support	459,140
Expenses:	
Salaries, wages and fringe benefits	204,513
Materials, supplies and services	201,662
Depreciation and amortization	33,284
Interest	13,927
Unusual items	3,149
Total expenses	456,535
Net income, before change in accounting principles	2,605
Income from change in accounting principles	3,716
Net income	6,321
Transfers to affiliates, net	(14,158)
Transfers from deferred revenue	562
Net assets released from restrictions used for acquisition of property and equipment	1,091
Decrease in unrestricted net assets	$ (6,184)

JB 01634

The accompanying notes are an integral part of the consolidated financial statements.

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 1996
(Dollars in Thousands)

Unrestricted net assets:	
Net income	$ 6,321
Transfers to affiliates, net	(14,158)
Transfers from deferred revenue	562
Net assets released from restrictions used for acquisition of property and equipment	1,091
Decrease in unrestricted net assets	(6,184)
Temporarily restricted net assets:	
Adjustment from change in accounting principles	1,213
Contributions	2,529
Investment income	1,767
Net assets released from restrictions	(11,350)
Unrealized appreciation of investments	639
Decrease in temporarily restricted net assets	(5,202)
Permanently restricted net assets:	
Contributions	655
Increase in permanently restricted net assets	655
Decrease in net assets	(10,731)
Net assets, beginning of year	252,930
Net assets, end of year	$ 242,199

JB 01635

The accompanying notes are an integral part of the consolidated financial statements.

31

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 1996
(Dollars in Thousands)

Cash flows from operating activities:	
Change in net assets	$ (10,731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Adjustment from change in accounting principles	(4,929)
Depreciation and amortization	33,284
Amortization of bond discount	81
Net transfers to affiliates	14,158
Net unrealized appreciation of investments	(443)
Gain on sale of property and equipment	(7,439)
Income from equity investments	(4,779)
Increase/(decrease) in cash and cash equivalents from changes in:	
Short-term investments	(1,331)
Patient accounts receivable	17,923
Other receivables	(2,770)
Inventories	(614)
Prepaid expenses	(210)
Accounts payable and accrued expenses	18,292
Due to/from affiliates	(26,265)
Other	(22,960)
Net cash provided by operating activities	1,267
Cash flows from investing activities:	
Acquisition of property and equipment, net	(34,209)
Proceeds of sale of property and equipment	27,400
Decrease in assets limited as to use, net	30,527
Net cash provided by investing activities	23,718
Cash flows from financing activities:	
Repayments of long-term debt	(8,763)
Net transfers to affiliates	(14,158)
Net cash used by financing activities	(22,921)
Net increase in cash and cash equivalents	2,064
Cash and cash equivalents, beginning of year	383
Cash and cash equivalents, end of year	$ 2,447
Supplemental disclosure:	
Cash paid for interest	$ 14,747

JB 01636

The accompanying notes are an integral part of the consolidated financial statements.

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

1. **Organization:**

Allegheny General Hospital (AGH) is a Pennsylvania nonprofit charitable organization that operates a 777-bed tertiary care facility and an 80-bed subacute hospital-based skilled nursing facility. AGH is the parent company of Allegheny-Singer Research Institute (ASRI). AGH and ASRI comprise an obligated group formed in connection with the issuance of hospital revenue bonds. ASRI is a nonprofit medical research institute that receives funding principally from affiliates, government grant programs, and private donors.

Allegheny Health, Education and Research Foundation (AHERF), a nonprofit organization, is the parent company of AGH. AHERF is also the parent company of Allegheny University of the Health Sciences (Allegheny University), Allegheny University Hospitals, St. Christopher's Hospital for Children (St. Christopher's), Diversified Health Group, Inc. (DHG), Allegheny Integrated Health Group (AIHG) and Allegheny Health Services Providers Insurance Company (AHSPIC).

2. **Accounting Policies:**

The significant accounting policies applied in preparing the accompanying consolidated financial statements are summarized below:

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of AGH and ASRI. All intercompany transactions have been eliminated in consolidation.

Accounting Changes:

In fiscal year 1996, AGH adopted Financial Accounting Standards Board Statements (FAS), No. 116, "Accounting for Contributions Received and Contributions Made," No. 117, "Financial Statements of Not-for-Profit Organizations" and No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." FAS 116 requires that unconditional promises by donors to pledge monies to AGH be recorded as receivables and revenues within

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

the appropriate net asset category. FAS 117 establishes uniform standards for general-purpose external financial statements of not-for-profit organizations and further requires the classification of net assets into three categories, based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Such net assets may be designated by the Board of Trustees for specific purposes or limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by specific actions pursuant to such stipulations or expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by action. Such net assets, which must be maintained in perpetuity, generally include only the original amount of the contribution since the donors of these assets most often permit the use of all investment earnings for specific or general purposes.

FAS 124 requires that investments in equity securities with readily determinable fair value and all investments in debt securities be reported at fair value with gains and losses included in the consolidated statement of operations. As is permitted by FAS 124, the cumulative effect of adopting the statement for periods prior to July 1, 1995 is $3,716 for unrestricted investments, which is reflected as an adjustment from change in accounting principle on the consolidated statements of operations, and $1,213 for investments temporarily restricted and is reflected on the consolidated statement of changes in net assets.

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the amounts reported as revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents:

Cash and cash equivalents include highly liquid investments purchased with a maturity date of three months or less and deposits maintained with AHERF which are available to AGH.

Investments and Investment Income:

A majority of AGH's short-term investments and those investments temporarily restricted by donors for specific purposes are managed pursuant to a master trust arrangement (Master Trust) that includes the investments of other AHERF entities. Investments in the Master Trust consist primarily of government and corporate obligations and repurchase agreements collateralized by U.S. Treasury notes and bonds that have fixed rates of return. Investment income and gains or losses are allocated on the pro rata cost value of each entity's investment. AGH's pro rata share of Master Trust is stated at fair value.

AGH's investments are carried at fair value and consist generally of investments similar to those in the Master Trust and marketable equity securities of domestic companies.

Donated investments are recorded at estimated fair value at the date of contribution. Unrestricted investment income and gains and losses on sales of investments, which are based on average cost, are included in investment income.

JB 01639

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Grants Receivable and Deferred Grant Revenue:

Grants and contracts are recognized in the year in which expenditures are made, either as research support or, in the case of expenditures for property and equipment, as additions to net assets. Receivables are recorded when contract and grant expenditures exceed funds received. Deferrals are recorded when funds received are in excess of expenditures incurred. Additionally, notices of federal and other research grant awards relating to future years have not been recorded.

Inventories:

Inventories are valued at the lower of average cost or fair value.

Property and Equipment:

Property and equipment, along with expenditures that extend the useful lives of assets, are recorded at cost. Certain internal computer software and development costs are capitalized and included in property and equipment. Interest is capitalized in accordance with the construction of major capital additions. Maintenance and repairs are charged to expense as incurred. At the time assets are retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated and any resulting gain or loss on disposition is recorded as other revenue.

Depreciation is provided over the estimated useful lives of the assets computed under the straight-line method with one-half year of depreciation recognized in the year the related assets are placed into service.

Other Assets:

Other assets consist primarily of bond financing costs, equity investments and investments in other joint ventures. Bond financing costs are being amortized over the respective terms of the related bond issues on a basis that approximates the interest method. AGH has a 32.3% ownership interest in Gateway Health Plan, L.P. (Gateway). AGH's share of income from its Gateway investment for fiscal year 1996 was $4,919.

JB 01640

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Restricted Net Assets:

Temporarily restricted net assets are those whose use has been limited by donors for a specific purpose or a specific time period. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted assets released from restriction during the period are reflected in the consolidated statement of operations.

Net Patient Service Revenue:

AGH has agreements with third-party payors that provide for payments to AGH at amounts different from its established rates. Payment arrangements include prospectively determined rates based on discharges, discounted charges, per diem payments and capitation arrangements. Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated net retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care, Uncompensated Care and Other Community Services:

AGH maintains a charity care policy which was established to assure that all persons seeking treatment receive needed health care services regardless of their ability to pay. This policy provides that persons who lack the means to pay for all or a portion of their needed health care services receive financial assistance in the form of partial or total charge reductions. Because AGH does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges forgone for services and supplies furnished under AGH's charity care policy approximated $3,615 in fiscal year 1996.

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

2. Accounting Policies: (continued)

Additionally, AGH provides services to patients covered by Medical Assistance and Medicare, whereby the payments received are less than the costs of providing such services. Also, AGH performs services at no charge which benefit the community, such as public health screenings, health care publications, workplace wellness programs, health related research, educational programs and other activities.

Related Party Transactions:

Fees charged for services provided by affiliates are included in expenses with all other transactions among affiliates recorded as net asset transfers. Any resulting amounts due to or from affiliates are settled periodically in the normal course of business.

Income Tax:

AGH and ASRI are not-for-profit corporations that have been recognized as tax exempt pursuant to Section 501 (C)(3) of the Internal Revenue Code.

3. Assets Limited or Restricted as to Use:

Assets limited or restricted as to use consist of the following components at June 30, 1996:

Unrestricted:	
By Board of Trustees:	
Future additions or replacement of property and equipment	$ 151,298
By Financing Agreements:	
Debt service funds	3,960
Construction fund	12,332
	16,292
Endowments	3,723
	171,313
Temporarily restricted:	
By donor-specific purposes	6,095
Endowments	690
	6,785

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

3. Assets Limited or Restricted as to Use: (continued)

Permanently restricted:	
Endowments	7,550
Total assets limited or restricted as to use	185,648
Less current portion	3,957
Assets limited or restricted as to use, net of current portion	$ 181,691

The following table sets forth the composition of assets limited or restricted as to use by investment type at June 30, 1996:

Unrestricted:	
Cash and short-term investments	$ 72,153
Government and corporate obligations	58,282
Marketable equity securities	40,878
	171,313
Temporarily restricted:	
Cash and short-term investments	506
Government and corporate obligations	2,633
Marketable equity securities	3,646
	6,785
Permanently restricted:	
Cash and short-term investments	144
Government and corporate obligations	3,007
Marketable equity securities	4,399
	7,550
Assets limited or restricted as to use	$ 185,648

The Board of Trustees retains control over certain designated assets and may, at its discretion, subsequently use such assets for other purposes. Assets limited or restricted as to use that are required to satisfy obligations classified as current liabilities, are reported as current assets on the consolidated balance sheet.

Investment returns consisted of the following for the year ended June 30, 1996:

Net gains on investments	$ 10,114
Dividends and interest	8,124
	$ 18,238

JB 01643

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

4. **Property and Equipment:**

Property and equipment consists of the following components at June 30, 1996:

Buildings and building improvements	$ 274,116
Equipment	195,789
Land and land improvements	10,482
	480,387
Less accumulated depreciation and amortization	246,648
	233,739
Construction in progress	15,008
Property and equipment, net	$ 248,747

5. **Lines of Credit:**

AGH maintains a $25,000 working capital line of credit from a bank. Interest on outstanding borrowings is based on one of several interest rate options that can be selected by AGH and there is a commitment fee of .08% on the unused portion of the available line. No borrowings were outstanding under the line of credit as of June 30, 1996.

6. **Long-Term Debt:**

Long-term debt consists of the following obligations at June 30, 1996:

Allegheny County Hospital Development Authority (ACHDA):	
Series 1995 A and B Hospital Revenue Bonds:	
A net of unamortized discount of $450 (with maturity dates through September 1, 2020 and fixed interest rates ranging from 4.65% to 6.35%)	$ 49,550
B (with maturity dates through September 1, 2020 and variable interest rates ranging from 2.8% to 5.0% during fiscal year 1996 and at 3.25% on June 30, 1996)	50,000
	99,550
Series 1993 A-C Notes:	
A (with maturity dates through July 1, 2012 and variable interest rates ranging from 5.57% to 6.35% during fiscal year 1996 and at 5.76% on June 30, 1996)	27,500
B (with maturity dates through January 1, 2012 and a fixed interest rate of 7.85%)	13,825
C (with maturity dates through January 1, 2004 and a fixed interest rate of 7.33%)	12,797
	54,122

JB 01644

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

6. **Long-Term Debt:** (continued)

Series 1988 A-D Hospital Revenue Bonds (with maturity dates through March 1, 2018 and variable interest rates ranging from 2.75% to 5.0% during fiscal year 1996 and at 3.3% on June 30, 1996)	48,100
Pennsylvania Higher Educational Facilities Authority (PHEFA): Series 1991 A Revenue Bonds, net of unamortized discount of $677 (with maturity dates through September 1, 2017 and fixed interest rates ranging from 5.9% to 7.25%)	55,272
Term loan (with a maturity date of June 16, 1999 and variable interest rates ranging from 5.84% to 6.84% during fiscal year 1996 and at 5.84% on June 30, 1996)	7,500
	264,544
Less current portion of long-term debt	7,023
Long-term debt	$ 257,521

Redemption of all ACHDA obligations is supported by renewable irrevocable bank letters of credit. All obligations are subject to early redemption at the option of AGH. Additionally, under the provisions of the Master Trust Indenture, AGH is directly obligated to make loan payments related to the 1993 Bonds, 1991 Bonds, and 1995 A and B Bonds and is obligated to make rental payments under lease and sublease arrangements related to the 1988 Bonds, which are sufficient to enable the PHEFA and the ACHDA to make timely payments of principal and interest. These bonds are collateralized by the pledge of AGH unrestricted receivables to the Master Trustee. Additionally, AGH has entered into a Letter of Credit, Reimbursement and Security Agreement related to Series 1993 A and 1998 Bonds which contain specific covenants, the most restrictive of which require AGH to maintain unrestricted net assets of at least $200,000 and a long-term debt service coverage ratio of 1.2 or greater, calculated at the end of each quarter.

Following are scheduled principal repayments and sinking fund requirements on the long-term debt for each of the next five fiscal years:

1997	-	$7,023
1998	-	7,568
1999	-	15,537
2000	-	8,422
2001	-	9,134

JB 01645

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

7. **Commitments:**

AGH leases certain medical and office equipment and office space used in its operations. Rental expenses for operating leases for the fiscal year ended June 30, 1996 were $12,359. The annual and total future minimum lease payments under noncancelable operating leases entered into as of June 30, 1996 are as follows:

Year	
1997	$ 8,595
1998	7,956
1999	7,056
2000	6,508
2001	6,171
2002 and thereafter	43,988
Total minimum payments	$ 80,274

8. **Net Patient Service Revenue:**

Net patient service revenue consists of the following components for the year ended June 30, 1996:

Gross patient service revenue	$ 849,990
Less provisions for contractual adjustments	455,429
Net patient service revenue	$ 394,561

Contractual adjustments represent the difference between standard billing rates and amounts estimated to be paid under various health benefit agreements. Provisions for contractual adjustments are recorded in the period in which the services are provided.

During fiscal year 1996, AGH's bad debt expense amounted to $16,874, which is included in materials, supplies and services expense on the consolidated statement of operations.

9. **Insurance:**

AHERF is self-insured for primary coverage and for certain levels of excess coverage related to professional and general liability claims through AHSPIC, an affiliated captive insurance company incorporated in the Cayman Islands. In addition, AHERF participates in the Medical Professional Liability Catastrophic Loss Fund of the Commonwealth of

JB 01646

9. Insurance: (continued)

Pennsylvania (CAT Fund) and maintains insurance under commercially insured programs on a claims-made basis for amounts in excess of the self-insurance and CAT Fund coverages. Premiums paid by AHERF to AHSPIC are retrospectively rated and are based on funding requirements determined by independent insurance actuaries to include provisions for estimates of the ultimate costs for both reported claims and claims incurred but not reported, determined on a discounted basis using a 7.5% rate. Professional and general liability expense is allocated by AHERF to each relevant AHERF entity based principally upon such entity's reported claims and estimated claims incurred but not reported. During fiscal year 1996, total professional and general liability insurance expense was $283.

AHERF is also self-insured for workers' compensation liability claims and has established a trust fund for the payment of such claims. Funding requirements and estimates of losses incurred are determined on a discounted basis using actuarial assumptions which include a 6.0% discount rate and which are subject to revision based upon actual experience. Workers' compensation expense is allocated by AHERF to each relevant AHERF entity based principally upon such entity's reported claims and estimated claims incurred but not reported. During fiscal year 1996, AGH's workers' compensation expense was $5,025.

10. Pension Plans:

AHERF maintains a noncontributory, defined benefit pension plan covering substantially all AGH employees. Under this cash balance plan (the Plan), pension accruals are determined using a defined percentage of an employee's current compensation based on the employee's age and years of service. Each employee's individual retirement benefit is defined within the Plan's obligation as a notational cash balance retirement account and is credited with interest based on a defined interest rate. AHERF's funding policy is to contribute such amounts as are necessary on an actuarial basis to provide the Plan with assets sufficient to meet benefits to be paid to retirees or their beneficiaries and to satisfy the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Pension expense is allocated by AHERF to each relevant AHERF entity based principally upon the number of full and part time employees covered by the Plan and their respective salary levels. During fiscal year 1996, AGH's pension expense was $6,012.

JB 01647

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

10. **Pension Plans:** (continued)

AHERF sponsors a contributory, defined contribution savings plan which is available to substantially all AGH employees in order to provide additional security during retirement by creating an incentive for employees to make regular contributions on their own behalf. Under this plan, and as determined on an individual employee basis, AHERF contributes amounts equal to 25% of an employee's contribution for employee contributions up to 4% of such employee's salary in a given year. Such expense is allocated by AHERF to each relevant AHERF entity based on actual contributions made. AGH's expense associated with contributions to this savings plan was $1,135 for the year ended June 30, 1996.

11. **Related Party Transactions:**

An affiliation agreement between AHERF and Allegheny University stipulates certain AHERF financial commitments, in order to, among other things, strengthen Allegheny University's academic, research and health service programs. Such financial support of operations, which is determined annually based upon Allegheny University's needs and available funds within the AHERF system, is recorded as a net asset transfer on the consolidated statement of changes in net assets. In this regard, AGH, through AHERF, transferred $2,500 to Allegheny University during fiscal year 1996. AGH provided Allegheny University with a research grant, which is determined annually based upon the amount of external, competitively awarded research funds obtained by Allegheny University during the prior fiscal year and the total amount of internal funding available for research within the AHERF System. This research grant amounted to $3,571 in fiscal year 1996. Additionally, during fiscal year 1996, AGH purchased directly from Allegheny University $20,028 of physician administrative and teaching services and researcher services and initiated charges to Allegheny University of $3,492 for support and administrative services. The amounts purchased from Allegheny University are included in materials, supplies and services expenses, while the amounts charged to Allegheny University are included in other revenue on the consolidated statement of operations. During fiscal years 1996, AGH transferred $19,847 to AHERF to support corporate initiatives as net asset transfers on the consolidated statement of changes in net assets. AHERF provides selected management, administrative and support services to its operating units and charges them for these services. During fiscal year 1996, AGH

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

11. **Related Party Transactions:** (continued)

incurred service charges from AHERF of $36,749 which are included on the consolidated statement of operations as materials, supplies and services. Additionally, AHERF is committed to advancing the quality of health care services provided to the communities it serves through the sponsorship of human genetic and biomedical research. Funding provided to AGH in this connection, which is reflected as net asset transfers on the consolidated statement of changes in net assets, amounted to $18,565 for the fiscal year ended June 30, 1996. AHERF also provided $868 in fiscal year 1996 to AGH as matching support related to externally funded contributions for the establishment of endowments. Such were recorded as other revenue on the consolidated statement of operations.

During fiscal year 1996, AGH, through AHERF, transferred $10,376 to AIHG to support its acquisition and operation of physician practices. This transfer has been reflected as a net asset transfer on the consolidated statement of changes in net assets. Prior to fiscal year 1996, support of AIHG's operations was provided through expense subsidization, which was reflected as an expense on the consolidated statement of operations as opposed to a net asset transfer.

12. **Functional Expenses:**

AGH provides general health care services through its hospital and performs medical research through its research institute. Expenses related to these services are as follows for the year ended June 30, 1996:

Health care services	$ 353,885
Medical research	21,891
General and administrative	80,759
	$ 456,535

JB 01649

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

13. **Concentrations of Credit Risk:**

AGH grants credit without collateral to its patients, most of whom are local residents insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows at June 30, 1996:

Medicare	34%
Medicaid	12
Blue Cross	16
Managed Care	14
Other third-party payors	19
Patients	5
	100%

14. **Fair Value of Financial Instruments:**

The following methods and assumptions were used by AGH in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying value reported in the consolidated balance sheet for cash and cash equivalents approximates its fair value.

Short-term investments: The carrying value reported in the consolidated balance sheet for short-term investments approximates its fair value.

Assets limited or restricted as to use: These assets consist primarily of government and corporate obligations, marketable equity securities, cash and short term investments and AGH's prorata share of the Master Trust. For government and corporate obligations and marketable equity securities, fair values were determined based on quoted market prices and dealer quotes where available, or quoted market prices pertaining to similar securities where not available. The carrying value for cash and short-term investments and for investments included in the Master Trust approximates fair value. The carrying value reported in the consolidated balance sheet for all assets limited or restricted as to use approximates their fair value.

ALLEGHENY GENERAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Dollars in Thousands)

14. Fair Value of Financial Instruments: (continued)

Long-term debt: The fair value of all obligations included in long-term debt is based on current traded values. The carrying and fair values of AGH's long-term debt obligations are $264,544 and $268,415, respectively, at June 30, 1996.

15. Legal Matters:

AGH is subject to legal proceedings and claims which have arisen in the ordinary course of its business and have not yet been adjudicated. The ultimate liability from these actions cannot be determined because of the uncertainties that exist. In the opinion of management, the eventual disposition of these matters will not have a material adverse effect on the consolidated financial position of AGH. However, it is possible that, upon settlement, results of operations in a particular period could be materially affected.

16. Unusual Items:

AGH recognized expenses principally associated with reductions in workforce in fiscal year 1996. These expenses, which were $3,149, are classified as unusual items on the consolidated statement of operations.

47

Coopers
&Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Report of Independent Accountants on Consolidating Financial Information

Our report on the audit of the consolidated financial statements of Allegheny General Hospital as of June 30, 1996, and for the year then ended appears on Page 1. This audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating financial information accompanying the consolidated financial statements is not necessary for fair presentation of the consolidated financial position, results of operations and changes in net assets of Allegheny General Hospital in conformity with generally accepted accounting principles. The supplementary consolidating financial information is presented only for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplementary consolidating financial information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
September 11, 1996

JB 01652

Coopers & Lybrand L.L.P is a member of Coopers & Lybrand International, a limited liability association incorporated in Switzerland

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATING BALANCE SHEET
as of June 30, 1996
(Dollars in Thousands)

ASSETS

	AGH	ASRI	Consolidated AGH
Current assets:			
Cash and cash equivalents	$ 1,737	$ 710	$ 2,447
Short-term investments	6,455	4,939	11,394
Assets limited or restricted as to use	3,957	-	3,957
Receivables:			
Patient accounts, net	50,036	-	50,036
Grants and other	2,350	2,727	5,077
Inventories	10,045	-	10,045
Prepaid expenses	833	6	839
Total current assets	75,413	8,382	83,795
Assets limited or restricted as to use, net of current portion	169,423	12,268	181,691
Property and equipment, net	235,252	13,495	248,747
Due from affiliates	25,128	1,241	26,369
Other assets	24,406	1,354	25,760
Total assets	$529,622	$ 36,740	$566,362

LIABILITIES AND NET ASSETS

	AGH	ASRI	Consolidated AGH
Current liabilities:			
Accounts payable and accrued expenses	$ 50,768	$ 3,276	$ 54,044
Deferred grant revenue	-	3,717	3,717
Current portion of long-term debt	7,023	-	7,023
Total current liabilities	57,791	6,993	64,784
Long-term debt, net of current portion	257,521	-	257,521
Deferred grant revenue	-	1,074	1,074
Other noncurrent liabilities	784	-	784
Total liabilities	316,096	8,067	324,163
Net assets:			
Unrestricted	209,647	18,229	227,876
Restricted :			
Temporarily	2,315	4,458	6,773
Permanently	1,564	5,986	7,550
Total net assets	213,526	28,673	242,199
Total liabilities and net assets	$529,622	$ 36,740	$566,362

JB 01653

ALLEGHENY GENERAL HOSPITAL

CONSOLIDATING STATEMENT OF OPERATIONS
For the year ended June 30, 1996
(Dollars in Thousands)

	AGH	ASRI	Consolidated AGH
Unrestricted revenues, gains and other support:			
Net patient service	$394,561	$ -	$ 394,561
Research support	-	8,789	8,789
Investment income	22,960	331	23,291
Net assets released from restrictions used for operations	6,838	1,680	8,518
Other revenue	22,168	1,813	23,981
Total revenues, gains and other support	446,527	12,613	459,140
Expenses:			
Salaries, wages and fringe benefits	195,809	8,704	204,513
Materials, supplies and services	185,632	16,030	201,662
Depreciation and amortization	31,233	2,051	33,284
Interest	13,919	8	13,927
Unusual items	3,149	-	3,149
Total expenses	429,742	26,793	456,535
Net income/(loss), before change in accounting principles	16,785	(14,180)	2,605
Income from change in accounting principles	3,716	-	3,716
Net income/(loss)	20,501	(14,180)	6,321
Transfers (to)/from affiliates, net	(33,629)	19,471	(14,158)
Transfers from deferred revenue	-	562	562
Net assets released from restrictions used for acquisition of property and equipment	81	1,010	1,091
Increase/(decrease) in unrestricted net assets	$ (13,047)	$ 6,863	$ (6,184)

JB 01654